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SUBJECT: OPIUM LARGELY GONE, FARMERS MAY STARVE IN NORTHERN SHAN STATE

REF: 2002 UNVIE 0285

Classified By: COM Carmen Martinez. Reason: 1.5 (d).

1. (U) Summary: After a month-long assessment, a UNODC mission told diplomats April 10 that "opium production in Burma was plainly ending." Northern Shan State, including areas controlled by cease-fire groups like the Kokang Chinese, was essentially clear of opium production. However, farmers were paying the price for eradication. Normally subsisting on incomes of less than \$200/year, farmers and their families may starve this year. End Summary.

"The Era of Opium Cultivation in Burma is Ending"

2. (U) After a month-long assessment of the Wa Alternative Development Project in northeast Shan State, UNODC's assessment mission told diplomats, representatives of UN agencies, and INGOs April 10 that "the era of opium cultivation in Burma is plainly ending." According to the mission, opium cultivation had largely ended in northern Shan State. This was true even in cease-fire areas that were previously centers of production. Shan State Special Region 1 in the Kokang, in particular, is completely clear of opium. According to the assessment mission, cultivation continues in the territories controlled by the United Wa State Army, but even there cultivators are aware of the pending deadline fixed by the Wa authorities. By the end of the 2004/05 growing season, the Wa-controlled Special Region 2 is also scheduled to be opium-free.

People May Starve

3. (U) The downside of these developments, however, is a potential humanitarian catastrophe among the farmers dependent on growing opium for their income. According to the mission, farmers in northern and eastern Shan State are already poor. Yearly incomes run about \$200/year, malaria is endemic, and child mortality rates (i.e., the number of children that die before the age of five) may run as high as 35 percent, according to surveys done by INGOs. Most critically, the region is deficit in food. Farmers in the region have annually produced food sufficient to feed their families for only four to five months each year. For the balance of the year, they fed their families with income from opium.

4. (U) That income has now disappeared, and farmers have begun to move seeking work. Wages, in turn, have collapsed. According to the mission, the wage for day labor in the Kokang has dropped sixty percent in recent months from approximately 10 Chinese yuan per day to only 4 yuan now (the equivalent of about 50 cents). Meanwhile, some families have begun mortgaging property to meet current expenses; others have moved to larger cities like Kutkai, Lashio, and Laukai to beg. Still others have begun to economize on non-essential expenditures, like education. According to the mission, primary school attendance in the region has dropped 60 percent in 2003.

5. (U) The mission anticipates that this situation will grow rapidly worse both this year and in years to come. Farmers in Shan State have not yet even begun to plant the monsoon rice crop, which will not be harvested until October. Between now and then, families will be left to cope on the basis of whatever resources they can find. The crisis will also almost certainly expand as other regions go out of opium. The population of the Kokang region is only 200,000; the population of the Wa territories is 600,000 -- three times as large. As those territories end opium production, the problems now evident in the Kokang and other areas of northern Shan State could multiply.

Recommended Response

6. (U) UNODC's assessment mission said that it is still working out the details of a proposed response, but anticipated that the cost of dealing with the consequences of opium eradication would overwhelm the resources of the GOB and of the cease-fire groups. The entire budget of the

Myanmar National Democratic Alliance Army, which ruled in the Kokang, was only 8 million yuan (i.e.; \$1 million) per year. Similarly, while the Government of Burma claimed to have pumped over 40 billion kyat (about USD 40 million) in to the border regions over the past 14 years, this latest crisis was only one of several facing it. Both might try to provide relief, but neither would be able to provide assistance on the scale required.

17. (U) The mission said that it would recommend basically two programs: a 2-year program of humanitarian assistance and a 15-year program of alternative development assistance that built on the experience gathered from the Wa Alternative Development Program. It had not yet put a dollar value on the required assistance for either, but had at least developed a package of 3 proposed interventions for the emergency program and 20 proposed interventions for the first five years of the 15-year program. Once complete, the 15-year program would recommend a consolidation of project activities around Mong Pawk and an extension of those activities to areas in the Wa territories north of Pang Sang, and to the Kokang.

#### Opposition Leaders Concerned

18. (C) The UNODC mission's evaluation of the situation in northern Shan State was stark, but accurate. Recently, opposition party members in Kutkai, Lashio, and Muse, including members of Aung San Suu Kyi's National League for Democracy, called Poloff's attention to the plight of farmers who were forced out of opium this year with little support from the government other than a sporadic distribution of seeds for alternative crops. According to the political parties, there is risk of starvation in this area.

19. (C) Secondly, what the team found in northern Shan State is only part of the story. Much of the opium production in northern Shan state has been eliminated; some, however, has simply been pushed into other regions. NLD members in Kachin State in particular complained of large new areas of opium production around Bhamo, and possibly as far north as the Tanaing Valley north of Myitkyina. Similarly, UNODC reports that production in central Shan State from Keng Tung over to Taunggyi and Pinlaung has also increased this year, partially offsetting the decline in northern Shan State. Overall, it appears that opium cultivation will be down substantially in Burma as a whole this year; however, progress has been uneven. In some areas, like northern Shan State, opium has been virtually completely eradicated. In others, more acreage is under opium cultivation than has been the case for some years.

#### Comment

110. (C) The fate of former opium farmers in Burma will depend on how well donor nations respond to UNODC's appeal for assistance for some of the poorest people in the world. The Japanese have indicated that they do intend to be heavily involved in the Kokang. The European Union has also lately decided to provide \$1.8 million for two INGOs (Aide Medicale International and Maltheser) to work closely with UNODC on the provision of basic health services in the Wa territories. However, more will be needed. In October 2002 (reftel), UNODC put forward a proposed program of approximately \$4 million/year for alternative development in Burma. That program may be scaled up now on the basis of the assessment report, but even so, the total scale of the program required in Burma will be modest when measured against the need or against the opportunity of shutting down one of world's traditional centers of opium production. End Comment.  
Martinez